

Notice No.: 01-007

Date: August 31, 2001

Applies to: All Employers

Subject: New Retiree Rehire Reporting Requirements

New Rules Regarding Employment After Retirement

The 2001 Washington State Legislature significantly expanded the opportunities for retirees to return to work for a Washington State public sector employer without impact to their retirement benefit. The new law went into effect on July 1, 2001, and applies to retirees from the Teachers' Retirement System (TRS), Public Employees' Retirement System (PERS), and School Employees' Retirement System (SERS).

Engrossed Substitute Senate Bill 5937 allows TRS Plan 1 retirees to work for 1500 hours per **fiscal year** (July through June) and PERS Plan 1 retirees to work for 1500 hours per **calendar year**, without a reduction in their pension. The bill also allows retirees from TRS Plan 2 and Plan 3, SERS Plan 2 and Plan 3, and PERS Plan 2 to work for 867 hours per **calendar year**, without a reduction in their pension.

The Return to Work (RTW) rules for retirees from the Law Enforcement Officers' and Fire Fighters' Retirement System (LEOFF), Washington State Patrol, Judicial and Judges Retirement Systems remain the same, as do the RTW rules for disability retirees from all systems and plans.

To effectively implement the requirements of this new legislation, employers will be required to report all retirees in their employ on the transmittal report.

New Reporting Requirements

Included with this Notice are the new type codes, plan information and associated rules required for reporting all retirees on the transmittal report. With the January 2002 transmittal report, due by February 15, 2002, the Department of Retirement Systems (DRS) is requiring employers to report all retirees they have employed on the same transmittal report as the active members. Please provide this information to the appropriate systems development personnel so they can incorporate these requirements into your DRS reporting systems.

This new process will replace the current retiree RTW paper forms used by employers to report to DRS. Employers should continue to use the current reporting process through the end of the year. Any new or current employees, who are retired and employed on or after January 1, 2002, should be reported on the transmittal report beginning with the January 2002 transmittal report. All TRS Plan 1 retirees hired on or after July 1, 2001, should be reported on the January 2002 transmittal, retroactive to the date of hire.

Summary of Changes

What Is New for Employers?

1. For PERS Plan 1 and Plan 2, SERS Plan 2 and Plan 3, and TRS Plan 2 and Plan 3, for the period July 1, 2001 through December 31, 2001, employers are asked to manually track compensation and hours worked by retirees. Employers will not be required to report compensation and hours worked during the remainder of this calendar year unless a retiree exceeds 867 hours. Employers must contact DRS if a retiree exceeds 867 hours between July 1, 2001 and December 31, 2001 (this is a requirement for this year only as part of the transition to the new reporting requirements).
2. For TRS Plan 1 retirees who work for public education employers, compensation and hours worked between July 1, 2001 and December 31, 2001, should be reported with the January 2002 transmittal report.
3. With the January 2002 transmittal report, employers are required to report all retirees they have employed on the same transmittal report as the active members they report each month. Refer to the “Technical Specifications and Reporting Procedures” provided in this Notice.
4. Public education employers must report all compensation and hours for TRS Plan 1 retirees, regardless of the position status, and all other retirees who work in eligible positions. Retirees employed in ineligible positions must be reported with a begin date and must be separated when their employment ends. It is optional to report compensation and hours for retirees (except for TRS Plan 1 retirees) who work in ineligible positions.
5. Non-education public employers must report compensation and hours for all retirees employed in eligible positions. The one exception is that it is not required to report compensation or hours for TRS Plan 1 retirees. Retirees employed in ineligible positions must be reported with a begin date and must be separated when their employment ends. It is optional to report compensation and hours for retirees who work in ineligible positions.
6. DRS will generate monthly invoices to employers to collect employer contributions for Plan 1 retirees of TRS and PERS. The invoices will begin once the Plan 1 retiree exceeds 867 hours and will include all hours reported for the retiree. Monthly invoices will continue until the retiree terminates and/or the beginning of a new fiscal or calendar year. All reported compensation (use Plan 1 reportable compensation rules—refer to Chapter 4 of the DRS Employer Handbook) will be used to calculate the employer contributions. Employer contributions will be calculated at the rate for the system the employee retired from.

What Administrative Rules Still Apply?

1. The current data collection process (paper forms) for retirees will continue to be used through December 2001.
2. Employers are required to ask all new employees if they are retired from one of the Washington State Retirement Systems and record the answer in writing. For more information refer to RCW 41.50.139 and the Retirement Status Form in the DRS employer Handbook at: www.wa.gov/drs/forms/frm_retirestatus.pdf.
3. Employers must report a retiree as an active member when instructed to do so by DRS.
4. A member must terminate all employment to be eligible for retirement.
5. DRS will continue to advise retirees to inform their employers of their status as a retiree from one of the retirement systems of Washington State.
6. Employers will be liable for pension overpayments if they do not use the appropriate reporting process to inform DRS they have hired a retiree.
7. Employers who report a termination date in error will be liable for pension overpayments.

What Administrative Rules No Longer Apply?

1. All of the resolution requirements for TRS Plan 1.
2. Position status for TRS Plan 1 (on-call or contracted) no longer affects RTW limitations.
3. The five calendar month limitation for retirees from PERS Plan 1 and Plan 2, TRS and SERS Plan 2 and Plan 3.

What Is New for Retirees?

1. For this calendar year only, retirees from PERS Plan 1 and Plan 2, and TRS and SERS Plan 2 and Plan 3, can work in eligible positions up to their applicable hourly limit between July 1, 2001 and December 31, 2001, without reduction in their pension. Hours worked from January 1, 2001 through June 30, 2001 do not count toward their hourly limit for this calendar year.
2. PERS Plan 1 retirees can work in eligible positions for 1,500 hours per calendar year, after they retire, without a reduction in their pension.
3. TRS Plan 1 retirees can work for 1,500 hours per fiscal year, after they retire, without a reduction in their pension.

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4. Retirees from PERS Plan 2, and TRS and SERS Plan 2 and Plan 3 can work in eligible positions for 867 hours per calendar year, after they retire, without a reduction in their pension.

What Remains the Same for Retirees?

1. Retirees who return to work prior to one full calendar month from their accrual date, will have their monthly retirement benefit reduced per a specific formula.
2. Retirees have the choice of returning to membership.
3. Retirees from PERS Plan 1 and Plan 2, and TRS and SERS Plan 2 and Plan 3, can work in ineligible positions without impacting their pension.
4. Pensions for retirees of TRS Plan 1 are impacted only if they work for public education employers.

To Become a Retiree, a Member Must Do the Following:

1. Terminate employment with his or her employer.
2. Sever all contracts for continued employment with the employer.
3. Submit an application for retirement to DRS.

Employer Responsibilities and New Reporting Procedures

Technical Specifications and Reporting Procedures

1. Use Plan 0 to report all retirees—employers who report via paper should refer to the note below.
2. Retirees should be reported in the system applicable to their position.
3. A begin date needs to be reported when a retiree returns to work, and an end date reported when they separate from employment.
4. Use the following new Type Codes:
 - 97 for TRS Plan 1 retirees who work for public education employers
 - 98 for all retirees who work in eligible positions
 - 99 for all retirees who work in ineligible positions
5. Report compensation and hours but do not report contributions.

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6. SERS employers should report retirees either on the TRS or SERS transmittal report—do not report retirees on the PERS transmittal report.
 7. Use Status Codes A, B and S (only use S if you are a single record layout reporter and are separating the employee). You should not use E, F, G, M or any of the retiree cash-out codes—employers should use N, P and R to report additional cash-outs of leave accrued in the retiree's new position.
 8. TRS Plan 1 retirees must be reported on the TRS transmittal report (by education employers only) unless the retiree's job is associated only with a classified (PERS/SERS) position.

Note: Employers who report via the paper transmittal report should use the Prelist Supplement Form when adding a retiree to the transmittal report for the first time. This form can be printed from the DRS Web site at: www.wa.gov/drs/forms/frm_prelist_supp.pdf

Refer to DRS Notices 97-002 and 99-006 for background on past rules and practices.

Questions?

If you have any questions regarding this DRS Notice, please contact Employer Support Services at (360) 664-7200 or 1-800-547-6657, or e-mail us at DRSEmployer@DRS.wa.gov. Other information is available at our "Frequently Asked Questions" on the DRS Web site at: www.wa.gov/drs/member/5937faq.htm. This Notice can also be accessed on the DRS Web site at: www.wa.gov/DRS/employer.

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